

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1428 - HB 1368

January 31, 2014

SUMMARY OF BILL: Requires the Department of Veterans' Affairs to establish and administer a small business grant program for retired members of the United States military. Requires the Department to allocate and disperse \$500,000 each fiscal year to assist retired veterans who own or operate, or plan to own or operate a small business. Requires the Department to select 50 applicants and to award each applicant a \$10,000 grant. Any unused funds in the program from one year will be used the following year. Requires the Department, in conjunction with the Department of Economic and Community Development (ECD), to develop policies and procedures to govern the selection of grant recipients, solicit grant applications from qualified applicants, and create a special committee to review applications and select the top 50 applicants eligible to receive a grant. The special committee will consist of three employees of the Department of Veterans' Affairs and two employees of ECD. Defines "small business" as a business that employs 100 or fewer full-time employees. Authorizes the Commissioner of the Department of Veterans' Affairs to promulgate rules and regulations to effectuate the purpose of this act.

ESTIMATED FISCAL IMPACT:

Increase State Revenue - \$500,000/Grant Program Fund

Increase State Expenditures - \$500,000/General Fund

Exceeds \$100,000/Grant Program Fund

Other Fiscal Impact - There could be subsequent increases in state and local government revenue and expenditures due to secondary economic impacts prompted by the passage of this bill. Due to multiple unknown factors, the fiscal impacts directly attributable to such secondary economic impacts cannot be quantified with reasonable certainty.

Assumptions:

- The bill requires the Department of Veterans' Affairs to select 50 applicants each year to be awarded a \$10,000 grant resulting in an increase of \$500,000 (\$10,000 x 50 applicants) annually from the general fund to the grant program.
- According to the Department of Veterans' Affairs, one quarter of all veterans nationwide say they are interested in starting or buying their own businesses. The proposed legislation is relative to military retirees which would limit the number of veteran entrepreneurs who would be eligible for consideration for these grants. This limitation

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would also hinder the possibility of authorizing 50 grants to applicants with a viable business model.

- The Department of Veterans Affairs has consulted with ECD. Typically, it would take the review of 100 business models to find at least one viable model with the best chance to thrive. Therefore, it is not likely to be consistently able to find 50 business models each year.
- It is estimated that, on average, at least 10 businesses a year would receive the grants resulting in expenditures exceeding \$100,000 (10 businesses x \$10,000) annually from the grant program fund.
- Any unexpended money in the grant program fund will remain with the program for use in later years.
- Any cost to establish and administer the program or to develop policies and procedures to govern the selection of grant recipients can be accommodated within existing resources without additional personnel costs.
- There could be subsequent increases in state and local government revenue and expenditures due to the secondary economic impacts prompted by the passage of this bill. To the extent passage of the bill incentivizes more retired veterans to start businesses or buy businesses in Tennessee, there will be additional state and local government revenue due to increased economic activity. In addition, there could be an increase in state and local government expenditures if the demand for governmental programs and infrastructure increases as a result of an increased population occurring as a result of additional businesses and new economic activity. Due to multiple unknown factors, such as the extent and timing of any business start-ups, any population changes, and the extent to which economic activity changes, the fiscal impacts directly attributable to such secondary economic impacts cannot be quantified with reasonable certainty.

IMPACT TO COMMERCE:

Increase Business Revenue – Exceeds \$100,000

Increase Business Expenditures – Exceeds \$100,000

Impact on Jobs – The number of eligible military retirees who currently own businesses that want to expand or who want to start a new business utilizing these grants is unknown. The number of business models that would be determined to be a viable for state grants is unknown. The net impact to jobs in Tennessee cannot be reasonably quantified.

Assumptions:

- The Department of Veterans' Affairs will provide grants each year in an amount that exceeds \$100,000 resulting in an increase in business revenue of \$100,000.

- Individuals receiving the grants will expend funds in a manner to expand current businesses or start new business ventures resulting in an increase in business expenditures of \$100,000.
- Creating, developing, or expanding these businesses could create additional jobs; however, such increase is not determinable due to unknown factors, including but not limited to, the number of eligible military retirees, difficulty of finding 50 business models per year that would be prudent investments, and the lack of data on the number of veterans who are retired from the military.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" and last name "Geise" clearly distinguishable.

Lucian D. Geise, Executive Director

/lsc